

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

PROPET USA, INC.,	)	CASE NO. C06-0186-MAT
	)	
Plaintiff,	)	
	)	
v.	)	ORDER RE: MOTIONS FOR
	)	SUMMARY JUDGMENT
LLOYD SHUGART,	)	
	)	
Defendant.	)	
_____	)	

INTRODUCTION AND BACKGROUND

This case involves a dispute between plaintiff Propet USA, Inc., a shoe company, and defendant Lloyd Shugart, a photographer, over photographic images taken by defendant of and/or related to plaintiff's products. For a number of years, working as an independent contractor, defendant created such images for use in plaintiff's promotional materials. During this time period, plaintiff paid defendant over \$100,000.00 for his services. (*See* Dkt. 13, ¶ 9.)

At some point in mid-2005, plaintiff terminated its business relationship with defendant. At around that same time, defendant discovered and complained about alleged copyright infringement by plaintiff. (*See* Dkt. 43, Ex. B (defendant's deposition transcript) at 94-98, 118-19,

01 170-73.) Plaintiff subsequently commenced this case seeking declaratory and injunctive relief in  
02 anticipation of a copyright infringement suit by defendant. (Dkt. 7.) Defendant counterclaimed,  
03 asserting copyright infringement, violations of The Digital Millennium Copyright Act (DMCA),  
04 and “Stolen/Lost Photos[.]” (Dkt. 13.)

05 Now before the Court are two motions for summary judgment. Defendant filed a motion  
06 for partial summary judgment as to the ownership of certain copyrights. (Dkt. 32.) Plaintiff  
07 thereafter filed a motion for summary judgment seeking dismissal of defendant’s counterclaims.  
08 (Dkt. 42.) The parties object to the respective motions. (Dkts. 58, 61, 64-65.) The Court  
09 addresses both of the summary judgment motions below.

#### 10 DISCUSSION

##### 11 A. Summary Judgment Standard

12 Summary judgment is appropriate when “the pleadings, depositions, answers to  
13 interrogatories, and admissions on file, together with the affidavits, if any, show that there is no  
14 genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter  
15 of law.” Fed. R. Civ. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). The moving  
16 party is entitled to judgment as a matter of law when the nonmoving party fails to make a sufficient  
17 showing on an essential element of his case with respect to which he has the burden of proof.  
18 *Celotex*, 477 U.S. at 322-23.

19 Genuine issues of material fact that preclude summary judgment are “disputes over facts  
20 that might affect the outcome of the suit under the governing law[.]” *Anderson v. Liberty Lobby,*  
21 *Inc.*, 477 U.S. 242, 248 (1986). In deciding a summary judgment motion, the court must view all  
22 facts and inferences therefrom in the light most favorable to the nonmoving party. *See Warren*

01 *v. City of Carlsbad*, 58 F.3d 439, 441 (9th Cir. 1995). “[A] party opposing a properly supported  
02 motion for summary judgment may not rest upon mere allegation or denials of his pleading, but  
03 must set forth specific facts showing that there is a genuine issue for trial.” *Anderson*, 477 U.S.  
04 at 256 (citing Fed. R. Civ. P. 56(e)).

05 B. Defendant’s Motion for Partial Summary Judgment as to Copyright Ownership

06 In his motion for partial summary judgment, defendant seeks a determination that he is the  
07 owner of all copyrights in the various photographic images that are the subject of this dispute. He  
08 notes that, pursuant to the Copyright Act, “[a] transfer of copyright ownership, other than by  
09 operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of  
10 the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly  
11 authorized agent.” 17 U.S.C. § 204(a). Acknowledging the absence of any written agreement as  
12 to a transfer of copyright, plaintiff concedes defendant’s copyright ownership. (*See* Dkt. 42 at 12  
13 and Dkt. 58 at 1.) Accordingly, with respect to this precise issue, the Court finds defendant  
14 entitled to a judgment as a matter of law.

15 Yet, the Court clarifies that, as argued by plaintiff, such a finding does not establish  
16 defendant’s right to a judgment with respect to his copyright infringement and related claims. As  
17 discussed below, plaintiff asserts an implied, nonexclusive license to utilize the photographic  
18 images at issue. Given this outstanding issue, a grant of partial summary judgment on the issue  
19 of defendant’s copyright ownership does not resolve the parties’ claims.<sup>1</sup>

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21 <sup>1</sup> Plaintiff initially questioned whether this Court had subject matter jurisdiction with  
22 respect to defendant’s copyright infringement counterclaim given a lack of any evidence defendant  
had registered copyrights in the subject photographs prior to filing his counterclaim. *See* 17  
U.S.C. § 411(a) (“[N]o action for infringement of the copyright in any United States work shall

C. Plaintiff's Motion for Summary Judgment as to Defendant's Counterclaims

Plaintiff seeks to dismiss defendant's counterclaims and requests an order acknowledging the existence of an implied, nonexclusive license to use any photographs created by defendant prior to the termination of their business relationship. It describes the terms of that use to include use during the regular course of advertising its shoes and in conveying the photographs to others who advertise its shoes and make substantially the same use of the photographs as plaintiff.

Plaintiff first contends that, in handing over photographs for use in its advertising in exchange for the fees paid, defendant conveyed a nonexclusive license to use the copyrighted works for their intended purpose. *See, e.g., Effects Assoc. Inc. v. Cohen*, 908 F.2d 555, 558-59 (9th Cir. 1990) ("... Effects created a work at defendant's request and handed it over, intending that defendant copy and distribute it. To hold that Effects did not at the same time convey a license to use the footage in 'The Stuff' would mean that plaintiff's contribution to the film was 'of minimal value,' a conclusion that can't be squared with the fact that Cohen paid Effects almost \$ 56,000 for this footage. Accordingly, we conclude that Effects impliedly granted nonexclusive licenses to Cohen and his production company to incorporate the special effects footage into 'The Stuff' and to New World Entertainment to distribute the film.") (internal footnote omitted).

Plaintiff maintains that defendant's invoices and its own cancelled checks make up the sole reliable evidence of contract and do not, in any way, reflect the imposition of any limits on the use of the photographs. Plaintiff also points to defendant's testimony as supporting the contention that it

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be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.") However, defendant subsequently revealed evidence of copyright registrations effective April 10, 2006, prior to the April 21, 2006 filing of his counterclaims. (*See* Dkt. 63, ¶ 16 and Ex. B.) Accordingly, plaintiff's subject matter jurisdiction argument lacks merit.

01 could use defendant's photography in any way that benefitted itself. (*See* Dkt. 43, Ex. B at 16-  
02 17.)

03 In response, defendant maintains his exclusive license over the photographic images at  
04 issue. *See, e.g., Fosson v. Palace (Waterland), Ltd.*, 78 F.3d 1448, 1455 (9th Cir. 1996) (noting  
05 that the decision in *Effects Assoc. Inc.*, 908 F.2d 555, does not control the issue of whether the  
06 terms of an express license had been breached and could give rise to an infringement suit; "[O]nce  
07 a non-breaching party to an express copyright license obtains and exercises a right of rescission  
08 by virtue of a material breach of the agreement, any further distribution of the copyrighted material  
09 would constitute infringement."); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir.  
10 1989) ("A licensee infringes the owner's copyright if its use exceeds the scope of its license.") In  
11 support, he points to a "film delivery memo" he contends accompanied all of his copyrighted  
12 images and expressly limited plaintiff's use of the images, as well as a seal on all film delivery  
13 packages that asserted his exclusive rights and indicated that plaintiff's use and license was subject  
14 to all terms of the film delivery memo. (*See* Dkt. 63 at ¶¶ 5, 8 and Ex. A.) Among other terms,  
15 the film delivery memo indicated a two-year duration of the license to use the images. (*Id.*, Ex.  
16 A.) Defendant also points to digital images delivered to plaintiff on CD, noting that the CD  
17 envelopes bore a seal, that his copyright was reflected on the face of every CD and upon  
18 downloading, and that each digital image contained an embedded copyright image, meaning the  
19 copyright notice would show whenever an image was loaded onto a page or photo editing  
20 software. (*Id.*, ¶¶ 9-10.)

21 Plaintiff denies any knowledge of the film delivery memos or seals, noting that defendant  
22

01 produced only stand-alone copies of the memo and seal.<sup>2</sup> However, defendant's former counsel  
02 attests to the fact that attorneys for plaintiff returned a box containing film negatives which had  
03 a broken seal and attaches a photograph of the box with the broken seal to his declaration. (Dkt.  
04 62, ¶¶ 2-5 and Ex. A (the seal reads: "Notice: All file or images contained herein are the exclusive  
05 property of Lloyd Shugart, to which Lloyd Shugart retains and holds all rights under copyright  
06 laws. Client use and license is subject to all terms of the FILM DELEVERY [stet] MEMO.  
07 Terms shall be deemed accepted by Client as acknowledged by written approval and/or the use  
08 of the photographs provided by Photographer.")). Additionally, defendant avers that, after a  
09 scanning company noticed the digital copyright image and an employee of plaintiff called for a  
10 "release" authorizing it to scan images, he advised the employee to use the film delivery memo as  
11 the release. (Dkt. 63, ¶ 12.) He further maintains that, upon picking up a box of the scanned  
12 images from plaintiff's offices, he found that the box contained a copy of the film delivery memo  
13 in an envelope from the scanning company, as well as several envelopes with broken seals. (*Id.*,  
14 ¶ 13.)

15         Given the above, it is clear that genuine issues of material fact preclude a grant of summary  
16 judgment as to defendant's counterclaims based on plaintiff's assertion of an implied, nonexclusive  
17 license. The Court also agrees with defendant that the testimony relied on by plaintiff in support  
18 of its implied, nonexclusive license appears to have been taken out of context. That is, in testifying

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20         <sup>2</sup> Plaintiff conceded he does not have a copy of each film delivery memo he allegedly sent  
21 with each invoice, explaining: "No. It was a standard invoice that I printed out, and I had a file  
22 of film delivery memos that every time I printed an invoice I grabbed the film delivery memo, stuck  
it in the envelope and mailed it." (Dkt. 47 at 161.)

01 that plaintiff had the right to use the images to benefit itself, defendant referred specifically to a  
02 contract he alleged he entered into in 2000 with CPF marketing, an advertising and graphic design  
03 firm that performed contract work for plaintiff. (Dkt. 45 at 12-17.) He also repeatedly noted that  
04 the terms of that contract called for a two-year period of limited use. ( *Id.*) Accordingly, this  
05 testimony does not support a grant of summary judgment.

06 Plaintiff next offers an alternative argument. That is, even assuming both that defendant  
07 delivered the film delivery memo to plaintiff and that plaintiff agreed to the terms of the memo  
08 simply by using the photographic images, plaintiff argues that the memo's terms are unreasonable  
09 and unenforceable. Plaintiff compares the memo as an attempt to bind it to contract terms in the  
10 same way consumers are bound by "shrink wrap" or "click wrap" agreements when purchasing  
11 software. *See, e.g., ProCD v. Zeidenberg*, 86 F.3d 1447, 1452-53 (7th Cir. 1996) (shrink wrap  
12 licenses may impose restrictions upon a consumer opening and installing software); *M. A.*  
13 *Mortenson Co. v. Timberline Software Corp.*, 93 Wash. App. 819, 830, 970 P.2d 803 (Wash. Ct.  
14 App. 1999) (noting Seventh Circuit "allow[ed] a vendor to propose that a sale contract be formed  
15 not when the product is requested or the money is paid but after the customer has inspected the  
16 item and the terms."; finding this reasoning persuasive and noting similarities: "Timberline's  
17 license agreement, included with the software, is fairly standard and contains an accept-or-return  
18 provision.") (relying on *ProCD*, 86 F.3d 1447, and *Hill v. Gateway 2000, Inc.*, 105 F.3d 1147,  
19 1150 (7th Cir. 1997)), *aff'd* at 140 Wash. 2d 568, 998 P.2d 305 (Wash. 2000). It notes that some  
20 courts have refused to enforce such agreements. *See, e.g., Specht v. Netscape Communs. Corp.*,  
21 150 F. Supp. 2d 585, 595 (S.D.N.Y. 2001) ("Netscape argues that the mere act of downloading  
22 indicates assent. However, downloading is hardly an unambiguous indication of assent. The

01 primary purpose of downloading is to obtain a product, not to assent to an agreement. In contrast,  
02 clicking on an icon stating ‘I assent’ has no meaning or purpose other than to indicate such assent.  
03 Netscape’s failure to require users of SmartDownload to indicate assent to its license as a  
04 precondition to downloading and using its software is fatal to its argument that a contract has been  
05 formed. Furthermore, unlike the user of Netscape Navigator or other click-wrap or shrink-wrap  
06 licensees, the individual obtaining SmartDownload is not made aware that he is entering into a  
07 contract.”), *aff’d* at 306 F.3d 17 (2d Cir. 2002). *See also generally M.A. Mortenson Co.*, 93  
08 Wash. App. at 829 (“In *ProCD*, the Seventh Circuit held that shrink-wrap licenses accompanying  
09 off-the-shelf computer software are enforceable unless their terms are objectionable under general  
10 contract law.”)

11 Plaintiff proffers a variety of reasons why defendant cannot enforce his film delivery memo  
12 like a conventional shrink wrap agreement, including the fact that this case does not involve a  
13 typical consumer transaction. However, for this same reason, the Court questions whether the  
14 case law proffered by plaintiff – involving software license agreements – is on point. This  
15 question is admittedly complicated by defendant’s failure to offer any argument in opposition to  
16 plaintiff’s shrink wrap analogy and related arguments. Although not rejecting the possible viability  
17 of plaintiff’s arguments, the Court is unable to find plaintiff entitled to a judgment as a matter of  
18 law. Moreover, the Court notes that the arguments may simply be premature due to the fact that  
19 discovery in this matter has not yet concluded. (*See* Dkt. 54 (setting discovery deadline of May  
20 16, 2007.))

21 Nor does the Court find sufficient grounds for granting summary judgment based on  
22 plaintiff’s remaining arguments. First, plaintiff’s assertion that defendant lacks evidence of actual



01 damage is premature given the ongoing discovery in this matter. Second, genuine issues of  
02 material fact appear to prevent dismissal of defendant's remaining counterclaims. For example,  
03 plaintiff's argument as to defendant's DMCA claim entails questions about the film delivery memo,  
04 which, as stated above, raises a disputed issue of material fact. As such, the Court concludes that  
05 plaintiff also fails to establish its entitlement to a judgment as a matter of law with respect to  
06 plaintiff's remaining counterclaims. However, again, the Court acknowledges that plaintiff's  
07 arguments with respect to these claims may simply be premature due to the fact that discovery in  
08 this matter has not yet concluded.

09 Finally, the Court addresses an argument raised by defendant with respect to the request  
10 for injunctive relief in plaintiff's complaint. In its complaint, plaintiff sought injunctive relief: (1)  
11 prohibiting defendant from selling or offering for sale any of the photographs subject to this suit;  
12 (2) prohibiting defendant from transferring any right, title, or interest in the photographs to third  
13 parties without advance written approval; and (3) prohibiting defendant from threatening plaintiff's  
14 customers with copyright infringement relating to their use of the photographs. (*See* Dkt. 1 at 5.)  
15 Defendant argues that, given his copyright ownership, these demands violate one or more of his  
16 rights under the Copyright Act. *See* 17 U.S.C. § 106 ("Exclusive rights in copyrighted works.")  
17 In response, plaintiff concedes that defendant has the right to sell or license his copyrighted works,  
18 but notes that it has not moved for summary judgment as to its own complaint and maintains its  
19 continued right of use. Therefore, while it does seem that plaintiff concedes that at least its first  
20 two requests for injunctive relief should be denied, as noted by plaintiff, this issue is not yet  
21 properly before the Court.

22 ///

CONCLUSION

For the reasons described above, defendant's motion for partial summary judgment on the issue of his copyright ownership is GRANTED and plaintiff's motion for summary judgment as to defendant's counterclaims is DENIED.

DATED this 3rd day of May, 2007.



Mary Alice Theiler  
United States Magistrate Judge